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1. To Whom May REA Make Loans?

To private utility companies, states, territories and subdivisions thereof, municipalities, utility districts and cooperatives, with preference to be given to public agencies and cooperatives.

2. For What Purposes May Loans be Made?

- (a) To finance construction and operation of electric generating plants and electric transmission and distribution lines or systems for the furnishing of electric energy to persons in rural areas who are not receiving central station service;
- (b) To finance the wiring of premises of persons in rural areas, and the acquisition and installation of electrical and plumbing appliances and equipment.

3. What is Meant by "Rural Areas"?

Any area of the United States not included within city, village or borough having population in excess of 1500..

4. What is the Maximum Repayment Term for REA Loans?

- (a) Thirty-five (35) years for loans for construction or operation of plants, lines or systems;
- (b) In the case of loans for wiring and electrical and plumbing appliances and equipment, five (5) years or two-thirds (2/3) of the assured life of the appliances and equipment, whichever is less.

5. What is the Interest Rate?

Two (2) per cent.

6. What About the Security and Soundness of These Loans?

Before making any loan, the Administrator must find and certify that the security for the loan is reasonably adequate and that the loan will be repaid within the time agreed.

7. Where Does REA Obtain the Funds Which it Lends?

Either from direct appropriations from the United States Treasury or as loans from Reconstruction Finance Corporation, as Congress directs each year.

8. How Much of REA Funds May Be Lent in Any One State?

- (a) Fifty (50) per cent of sums made available to REA for a given year must be allotted for that year among the several states in the proportion which the number of their farms not then receiving central station electric service bears to the total number of farms of the United States not then receiving such service;

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- (b) The remaining 50% of such annual sums may be lent in the several states without regard to the above proportionate allotment, except that more than ten (10) per cent of such unallotted sums may be lent in any one state or in all the territories.

9. What Happens to the Principal and Interest Payments Which Are Made to REA by Its Borrowers?

Such money cannot be lent out again but must be paid into the United States Treasury or to Reconstruction Finance Corporation.

10. Is REA Permitted Itself to Construct and Own Electric Systems?

REA is merely a lending agency and has no power itself to construct electric systems. It has the power to own electric systems only in the case where it has to purchase at foreclosure sale and even in such a case it may not own or operate the property for more than five (5) years.